UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to _____

Commission file number 0-30235

EXELIXIS, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**04-3257395**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

170 Harbor Way
P.O. Box 511
South San Francisco, California 94083
(Address of Principal Executive Offices, including Zip Code)

(650) 837-7000
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

As of October 31, 2000 there were 44,991,779 shares of the Registrant's Common Stock outstanding.

EXELIXIS, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXELIXIS, INC.
CONDENSED BALANCE SHEETS
(in thousands)

	September 30, 2000	DECEMBER 31, 1999(1)
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$39,317	$5,400
Short-term investments	79,601	1,504
Other receivables	2,299	185
Other current assets	2,048	943
Total current assets	123,265	8,032
Property and equipment, net	19,441	9,498
Related party receivables	393	619
Other assets	1,284	752
Total assets	$144,383	$18,901
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$4,718	$3,648
Current portion of capital lease obligations	2,466	735
Current portion of notes payable	1,634	1,554

Deferred revenue	5,061	2,767
Total current liabilities	13,879	8,704
Capital lease obligations	3,882	229
Notes payable	2,091	3,299
Convertible promissory note	--	7,500
Other long-term liability	104	104
Deferred revenue	9,184	1,890
Total liabilities	29,140	21,726
Mandatorily redeemable convertible preferred stock	--	46,780
Stockholders' equity (deficit):		
Common stock	45	6
Additional paid-in-capital	212,038	19,523
Notes receivable from stockholders	(2,057)	(240)
Deferred stock compensation	(13,020)	(14,167)
Accumulated other comprehensive income	223	--
Accumulated deficit	(81,986)	(54,727)
Total stockholders' equity (deficit)	115,243	(49,605)
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' equity (deficit)	$144,383	$18,901

(1) The balance sheet at December 31, 1999 has been derived from our audited financial statements.

The accompanying notes are an integral part of these condensed financial statements.

EXELIXIS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Revenues:				
License	$907	$302	$2,771	$739
Contract	5,211	2,871	14,914	6,009
Total revenues	6,118	3,173	17,685	6,748
Operating expenses:				
Research and development (1)	12,638	5,752	34,937	13,036
General and administrative (2)	4,468	2,590	13,685	6,003
Total operating expenses	17,106	8,342	48,622	19,039
Loss from operations	(10,988)	(5,169)	(30,937)	(12,291)
Other income (expense):				
Interest income	2,151	167	4,166	472
Interest expense	(162)	(136)	(488)	(375)
Total other income (expense)	1,989	31	3,678	97
Net loss	($8,999)	($5,138)	($27,259)	($12,194)
Net loss per share, basic and diluted	($0.22)	($1.13)	($1.00)	($3.19)

Shares used in computing net loss per share, basic and diluted.....	41,179	4,548	27,235	3,822

(1) Includes stock compensation expense of $2,291 and $791 in the quarters ended September 30, 2000 and 1999, respectively, and $8,293 and $1,451 in the nine month periods ended September 30, 2000 and 1999, respectively.
(2) Includes stock compensation expense of $1,210 and $335 in the quarters ended September 30, 2000 and 1999, respectively, and $3,766 and $517 in the nine month periods ended September 30, 2000 and 1999, respectively.

The accompanying notes are an integral part of these condensed financial statements.

EXELIXIS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
Cash flows from operating activities:		
Net loss.....	($27,259)	($12,194)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization.....	3,027	1,380
Amortization of deferred stock compensation..	12,059	1,968
Changes in assets and liabilities:		
Other receivables.....	(1,363)	52
Other current assets.....	(1,337)	(414)
Other assets.....	(532)	(237)
Related party receivables.....	226	(119)
Accounts payable and accrued expenses.....	885	1,806
Deferred revenue.....	9,587	3,423
Net cash used in operating activities..	(4,707)	(4,335)
Cash flows used in investing activities:		
Purchases of property and equipment.....	(12,970)	(4,342)
Proceeds from sale-leaseback of equipment.....	5,954	--
Purchases of short-term investments, net.....	(77,874)	(2,538)
Net cash used in investing activities.....	(84,890)	(6,880)
Cash flows from financing activities:		
Proceeds from issuance of mandatorily redeemable convertible preferred stock, net.....	--	8,642
Proceeds from initial public offering, net.....	124,709	--
Proceeds from exercise of stock options and warrants.....	503	47
Principal payments on capital lease obligations.....	(570)	(720)
Proceeds from issuance of notes payable.....	--	9,103
Principal payments on note payable.....	(1,128)	(395)
Net cash provided by financing activities..	123,514	16,677
Net increase in cash and cash equivalents.....	33,917	5,462
Cash and cash equivalents, at beginning of period.....	5,400	2,058
Cash and cash equivalents, at end of period.....	$39,317	$7,520

The accompanying notes are an integral part of these condensed financial statements.

EXELIXIS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2000
(unaudited)

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Exelixis, Inc. ("Exelixis" or the "Company"), formerly Exelixis Pharmaceuticals, Inc., is a leading model system genetics and comparative genomics company that uses model systems to identify critical genes in disease pathways and to determine functional relationships of genes and functionality of potential targets for the pharmaceutical and agriculture industries. The Company operates in one business segment in the United States.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000, or for any future period. These financial statements and notes should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 1999 included in the Company's Registration Statement on Form S-1, as amended (No. 333-96335), which was declared effective by the SEC on April 10, 2000.

Net Loss per Share

The Company computes net loss per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" and SEC Staff Accounting Bulletin No. 98. Basic and diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share excludes potential common stock if their effect is antidilutive. Potential common stock consists of common stock subject to repurchase, incremental common shares issuable upon the exercise of stock options and warrants and shares issuable upon conversion of the preferred stock and convertible promissory note.

Comprehensive Income

The only component of other comprehensive income is unrealized gains on available-for-sale securities. For the three and nine month periods ended September 30, 2000, total comprehensive loss amounted to $8.8 million and $27.0 million, respectively. For the three and nine month periods ended September 30, 1999, there were no differences between comprehensive loss and net loss.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 deferred the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. To date, the Company has not engaged in derivative or hedging activities.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB 25", which was effective July 1, 2000. FASB Interpretation No. 44 did not have any material impact on the Company's financial statements.

Note 2. Initial Public Offering

On April 14, 2000, the Company completed an initial public offering in which it sold 9,100,000 shares of common stock at $13.00 per share for net proceeds of approximately $108.2 million, net of underwriting discounts, commissions and other offering costs. Upon the closing of the offering, all the Company's mandatorily redeemable convertible preferred stock converted into 22,877,656 shares of common stock. After the offering, the Company's authorized capital consisted of 100,000,000 shares of common stock,

$0.001 par value, and 10,000,000 shares of preferred stock, $0.001 par value. On May 1, 2000, the underwriters exercised an over-allotment option to purchase an additional 1,365,000 shares, resulting in net proceeds of approximately $16.5 million.

Note 3. Deferred Stock Compensation

Deferred stock compensation for options granted to employees is the difference between the deemed value for financial reporting purposes of the Company's common stock on the date such options were granted and their exercise price. Deferred stock compensation for options granted to consultants has been determined in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" and is periodically remeasured as the underlying options vest in accordance with Emerging Issues Task Force No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with, Selling Goods or Services".

As of September 30, 2000, the Company has recorded a cumulative $29.1 million of deferred stock compensation related to stock options granted to consultants and employees. Stock compensation expense is being recognized in accordance with FASB Interpretation No. 28 over the vesting periods of the related options, generally four years. The Company recognized stock compensation expense of $3.5 million and $12.1 million for the three and nine month periods ended September 30, 2000, respectively, and $1.1 million and $2.0 million for the three and nine month periods ended September 30, 1999, respectively.

Note 4. Commitments

On March 29, 2000, the Company entered into an amendment to an existing lease agreement to additionally lease a second building consisting of approximately 49,000 square feet of research and development and general office space in South San Francisco, California. Future noncancelable lease payments under this amended agreement for the second building total approximately $32.0 million. Payments are expected to begin in the second quarter of 2001 and will continue through the remaining term of the lease. In connection with the amended agreement, the Company issued warrants to the property lessor to purchase 78,750 shares of common stock at an exercise price of $13.00 per share. The Company determined the fair value of these warrants using the Black-Scholes option pricing model using the following assumptions: expected life of five years; a weighted average risk-free rate of 6.38%; expected dividend yield of zero; volatility of 70%; and a deemed value of the common stock of $11.00 per share. The fair value of the warrants of $518,000 has been capitalized and will be amortized as rent expense over the term of the lease.

In September 2000, the Company entered into a master lease agreement with a third party lessor for an equipment lease line of up to $13.1 million. The master lease agreement provides for a quarterly delivery structure which expires in June 2001. Each quarterly delivery has a 14-quarter payment term. Under the master lease agreement, the Company is subject to certain financial covenants. As of September 30, 2000, the Company was in compliance with these covenants. During September 2000, the Company entered into an equipment sale-leaseback agreement under the master lease agreement resulting in proceeds to the Company of approximately $6.0 million.

Note 5. Convertible Promissory Note

In February 1999, the Company issued a $7.5 million convertible promissory note to Pharmacia Corporation, formerly Pharmacia & Upjohn ("Pharmacia"), in connection with a collaboration agreement. The note was to convert into shares of the Company's common stock at a price per share equal to 120% of the price of common stock sold in the initial public offering, the time of such conversion to be determined by Pharmacia. During July 2000, Pharmacia converted the note into 480,769 shares of common stock at a conversion price of $15.60 per share.

Note 6. Acquisition

In September 2000, Exelixis entered into a definitive agreement to acquire Agritope, Inc., an agricultural functional genomics and biotechnology company that develops improved plant products and provides technology to the agricultural industry, in a stock-for-stock transaction. Under the terms of the agreement, each outstanding share of Agritope capital stock would be converted into the right to receive a fraction of a share of Exelixis common stock. The fractional share amount will be calculated by dividing $14.00 by the average closing price of Exelixis common stock for the 20 trading days ending on, and including, the fifth trading day before the closing of the merger, subject to the issuance of a minimum of 0.28 of a share and a maximum of 0.35 of a share of Exelixis common stock for each outstanding share of Agritope capital stock. In addition, all outstanding options and warrants to acquire Agritope capital stock will be exercisable for shares of Exelixis common stock based on the final exchange ratio. The transaction is expected to be completed in December 2000, subject to approval by Agritope's stockholders and satisfaction or waiver of other customary closing conditions, and will be accounted for using the purchase method of accounting.

In September 2000, Exelixis loaned $750,000 to Agritope as additional working capital. The loan bears interest at a rate equal to one percent over the prime rate and is payable on the earlier of 90 days after the termination of the merger agreement or March 1, 2001.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this report and the 1999 audited financial statements and notes thereto included in our Registration Statement on Form S-4 (No. 333-47710), as amended. Operating results are not necessarily indicative of results that may occur in future periods.

The following discussion also contains forward-looking statements that are based upon current expectations. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" as well as those discussed elsewhere in this document and those discussed in our Form S-1.

Overview

Exelixis was founded in November 1994 and began operations in January 1995. Since that time, we have made significant investments in developing our capabilities in comparative genomics and model system genetics, as well as more recent investments in proprietary drug discovery technologies. Our proprietary technologies provide a rapid, efficient and cost-effective way to move beyond DNA sequence data to understand the function of genes and the proteins that they encode. We believe that our technologies are commercially applicable to all industries whose products can be enhanced by an understanding of DNA or proteins. To date, we have recognized revenues from research collaborations with large pharmaceutical and agrochemical companies. Our current collaborations are with Bayer, Pharmacia, Bristol-Myers Squibb and Dow AgroSciences.

Our sources of potential revenue for the next several years are likely to include upfront license and other fees, funded research payments under existing and possible future collaborative arrangements, milestone payments and royalties from our collaborators based on revenues received from any products commercialized under those agreements.

We have a history of operating losses resulting principally from costs associated with research and development activities, investment in core technologies and general and administrative functions. As a result of planned expenditures for future research and development activities, we expect to incur additional operating losses for the forseeable future.

License, research commitment and other non-refundable payments received in connection with research collaboration agreements are deferred and generally recognized on a straight-line basis over the relevant periods specified in the agreements, generally the research term. We recognize contract research revenues as services are performed in accordance with the terms of the agreements. Any amounts received in advance of performance are recorded as deferred revenue.

Results of Operations

Revenues

Total revenues were $6.1 million and $17.7 million for the three and nine month periods ended September 30, 2000, respectively, compared to $3.2 million and $6.7 million, respectively, for the comparable periods in 1999. The increase for both periods was due primarily to additional license and contract revenues earned from the existing collaborations with Bayer, Pharmacia, Bristol-Myers Squibb and our new collaboration with Dow AgroSciences.

Research and Development Expenses

Research and development expenses consist primarily of salaries and other personnel-related expenses, facility costs, supplies and depreciation of facilities and laboratory equipment. Research and development expenses were $12.6 million and $34.9 million for the three and nine month periods ended September 30, 2000, respectively, compared to $5.8 million and $13.0 million, respectively, for the comparable periods in 1999. The increase for both periods was primarily due to increased staffing and other personnel-related costs incurred to support new collaborative arrangements and our internal self-funded research efforts and an increase in non-cash stock compensation expense (as described below). We expect to continue to devote substantial resources to research and development, and we expect that research and development expenses will continue to increase in absolute dollar amounts in the future.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel and other related costs to support our activities, facility costs and professional expenses, such as legal fees. General and administrative expenses were $4.5 million and $13.7 million for the three and nine month periods ended September 30, 2000, respectively, compared to $2.6 million and $6.0 million, respectively, for the comparable periods in 1999. The increase for both periods was primarily related to increased recruiting expenses, non-cash stock compensation expense (as described below) and rent for facilities and expenses associated with our expanding corporate headquarters. We expect that our general and administrative expenses will increase in absolute dollar amounts in the future as we expand our administrative staff and add infrastructure to support our growing research and development efforts.

Stock Compensation Expense

Deferred stock compensation for options granted to employees is the difference between the deemed value for financial reporting purposes of our common stock on the date such options were granted and their exercise price. Deferred stock compensation for options granted to consultants has been determined in accordance with SFAS No. 123 and is periodically remeasured as the underlying options vest in accordance with Emerging Issues Task Force No. 96-18.

In connection with the grant of stock options to employees and consultants, we recorded deferred stock compensation of approximately $0.7 million and $11.1 million for the three and nine month periods ended September 30, 2000, respectively, compared to $10.3 million and $12.0 million, respectively, for the comparable periods in 1999. These amounts were recorded as a component of stockholders' equity (deficit) and are being amortized as charges to operations over the vesting periods of the options.

We recorded stock compensation expense of approximately $3.5 million and $12.1 million for the three and nine month periods ended September 30, 2000, respectively, compared to $1.1 million and $2.0 million, respectively, for the comparable periods in 1999.

Other income

Other income primarily consists of income earned on cash, cash equivalents and short-term investments, partially offset by interest expense incurred on notes payable and capital lease obligations. Net other income was $2.0 million and $3.7 million for the three and nine month periods ended September 30, 2000, respectively, compared to $31,000 and $97,000, respectively, for the comparable periods in 1999. The increase year-over-year primarily relates to interest income earned on the proceeds from our initial public offering.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through private placements of preferred stock, loans, equipment lease financings and other loan facilities and payments from collaborators. In addition, during the second quarter of 2000, we completed our initial public offering raising $124.7 million in net proceeds to the Company. We intend to use the proceeds for research and development activities, capital expenditures, working capital and other general corporate purposes. As of September 30, 2000, we had approximately $118.9 million in cash, cash equivalents and short-term investments.

Our operating activities used cash of $4.7 million for the nine months ended September 30, 2000, compared to $4.3 million for the nine months ended September 30, 1999. Cash used by operating activities in 2000 and 1999 related primarily to the funding of net operating losses and changes in assets and liabilities, partially offset by an increase in deferred revenue received from collaborators and non-cash charges related to amortization of deferred stock compensation.

Our investing activities used cash of $84.9 million for the nine months ended September 30, 2000, compared to $6.9 million for the corresponding period in 1999. Cash used in investing activities increased year- over-year due to increased purchases of short-term investments, net, and capital expenditures. In addition, during the nine months ended September 30, 2000, we received $6.0 million in proceeds from a sale-leaseback agreement. We expect to continue to make significant investments in research and development and our administrative infrastructure, including the purchase of property and equipment to support our expanding operations.

Our financing activities provided cash of $123.5 million for the nine months ended September 30, 2000, compared to $16.7 million for the corresponding period in 1999. The 2000 activity consisted primarily of net proceeds from our initial public offering and exercise of stock options and warrants, slightly offset by payments on notes payable and capital lease obligations. The 1999 activity consisted primarily of proceeds from sales of preferred stock and proceeds from the issuance of notes payable, slightly offset by payments on notes payable and capital lease obligations.

We believe that our current cash and cash equivalents, short- term investments and funding to be received from collaborators, will be sufficient to satisfy our anticipated cash needs for at least the next two years. However, it is possible that we will seek additional financing within this timeframe. We may raise additional funds through public or private financing, collaborative relationships or other arrangements. We cannot assure you that additional funding, if sought, will be available or, even if available, will be available on terms favorable to us. Further, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. Our failure to raise capital when needed may harm our business and operating results.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 deferred the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. To date, the Company has not engaged in derivative or hedging activities.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB 25", which was effective July 1, 2000. FASB Interpretation No. 44 did not have any material impact on the Company's financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in interest rates in the United States. This exposure is directly related to our normal operating activities. Our cash, cash equivalents and short-term investments are invested with high quality issuers and are generally of a short-term nature. Interest rates payable on our notes and lease obligations are generally fixed. As a result, we do not believe that near-term changes in interest rates will have a material effect on our future results of operations.

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

In February 1999, the Company issued a $7.5 million convertible promissory note to Pharmacia Corporation, formerly Pharmacia & Upjohn ("Pharmacia"), in connection with a collaboration agreement. The promissory note was to convert into shares of the Company's common stock at a price per share equal to 120% of the price of common stock sold in the initial public offering, the time of such conversion to be determined by Pharmacia. During July 2000, Pharmacia converted the promissory note into 480,769 shares of common stock at a conversion price of $15.60 per share. The shares subject to purchase under the promissory note were deemed to be exempt from registration under the Securities Act of 1933, as amended ("the Act"), in reliance upon Section 4(2) of the Act.

In April 2000, we completed our initial public offering of 9,100,000 shares of our common stock at an initial public offering price of $13.00 per share for aggregate proceeds of approximately $118.3 million. The managing underwriters in the offering were Goldman, Sachs & Co., Credit Suisse First Boston Corporation and SG Cowen Securities Corporation. The shares of common stock sold in the offering were registered under the Act in a Registration Statement on Form S-1, as amended (No. 333-96335). The SEC declared the Registration Statement effective on April 10, 2000.

In connection with the offering, we paid a total of approximately $8.3 million in underwriting discounts and commissions and $1.8 million in other offering costs and expenses. After deducting the underwriting discounts and commissions and the offering costs and expenses, our net proceeds from the offering were approximately $108.2 million. Furthermore, on May 1, 2000, the underwriters exercised their over-allotment option to purchase an additional 1,365,000 shares of common stock, resulting in additional net proceeds to us of approximately $16.5 million.

From the time of receipt through September 30, 2000, the proceeds from the offering were used for research and development activities, capital expenditures, working capital and other general corporate purposes. In the future, we intend to use the net proceeds in a similar manner. As of September 30, 2000, $118.9 million of the proceeds remained available and were primarily invested in short-term marketable securities.

Item 5. Other Information - Risk Factors

We have a history of net losses. We expect to continue to incur net losses, and we may not achieve or maintain profitability.

We have incurred net losses each year since our inception, including a net loss of approximately $27.3 million for the nine months ended September 30, 2000. As of that date, we had an accumulated deficit of approximately $82.0 million. We expect these losses to continue and anticipate negative cash flow for the foreseeable future. The size of these net losses will depend, in part, on the rate of growth, if any, in our license and contract revenues and on the level of our expenses. Our research and development expenditures and general and administrative costs have exceeded our revenues to date, and we expect to spend significant additional amounts to fund research and development in order to enhance our core technologies and undertake product development. As a result, we expect that our operating expenses will increase significantly in the near term and, consequently, we will need to generate significant additional revenues to achieve profitability. Even if we do increase our revenues and achieve profitability, we may not be able to sustain or increase profitability.

We will need additional capital in the future, which may not be available to us.

Our future capital requirements will be substantial, and will depend on many factors including:

- payments received under collaborative agreements;
- the progress and scope of our collaborative and independent research and development projects;
- our need to develop manufacturing and marketing capabilities to commercialize products; and
- the filing, prosecution and enforcement of patent claims.

We anticipate that our current cash and cash equivalents, short-term investments and funding to be received from collaborators, together with the proceeds from our initial public offering in April 2000 and interest earned thereon, will enable us to maintain our currently planned operations for at least the next two years. Changes to our current operating plan may require us to consume available capital resources significantly sooner than we expect. We may be unable to raise sufficient additional capital when we need it, on favorable terms, or at all. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. The sale of equity or convertible debt securities in the future may be dilutive to our stockholders, and debt financing arrangements may require us to pledge certain assets and enter into covenants that would restrict our ability to incur further indebtedness. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or to obtain funds by entering into financing, supply or collaboration agreements on unattractive terms.

Difficulties we may encounter managing our growth may divert resources and limit our ability to successfully expand our operations.

We have experienced a period of rapid and substantial growth that has placed, and our anticipated growth in the future will continue to place, a strain on our administrative and operational infrastructure. As our operations expand, we expect that we will need to manage additional relationships with various collaborative partners, suppliers and other third parties. Our ability to manage our operations and growth effectively requires us to continue to improve our operational, financial and management controls, reporting

systems and procedures. We may not be able to successfully implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls.

We are dependent on our collaborations with major companies. If we are unable to achieve milestones or develop products or are unable to renew or enter into new collaborations, our revenues may decrease and our activities may fail to lead to commercialized products.

Substantially all of our revenues to date have been derived from collaborative research and development agreements. Revenues from research and development collaborations depend upon continuation of the collaborations, the achievement of milestones and royalties derived from future products developed from our research. If we are unable to successfully achieve milestones or our collaborators fail to develop successful products, we will not earn the revenues contemplated under such collaborative agreements. In addition, some of our collaborations are exclusive and preclude us from entering into additional collaborative arrangements with other parties in the area or field of exclusivity.

We currently have collaborative research agreements with Bayer, Pharmacia, Bristol-Myers Squibb and Dow AgroSciences. Our current collaborative agreement with Bayer is scheduled to expire in 2008, after which it will automatically be extended for one-year terms unless terminated by either party upon 12-month written notice. Our agreement permits Bayer to terminate our collaborative activities prior to 2008 upon the occurrence of specified conditions, such as the failure to agree on key strategic issues after a period of years or the acquisition of Exelixis by certain specified third parties. Similarly, our collaborative agreement with Pharmacia allows either party to terminate our research collaboration at the conclusion of its third year in 2002, at the conclusion of its fifth year in 2004, or any subsequent year. The Pharmacia agreement may also be terminated in the event of a conflict over material third-party intellectual property rights. Our collaborative agreement with Bristol-Myers Squibb expires in September 2002. Our collaborative agreement with Dow AgroSciences is scheduled to expire in July 2003, after which Dow AgroSciences has the option to renew on an annual basis. In addition, both our agreements with Bayer and Pharmacia are subject to termination at an earlier date if certain specified individuals are no longer employed by us and we are unable to find replacements acceptable to Bayer or Pharmacia, as the case may be. In the case of Pharmacia, the right is triggered if either of two specified individuals directly involved in the research program cease to be employed by us. In the case of Bayer, the right is triggered if two or more of our Chief Executive Officer, Chief Scientific Officer, Agricultural Biotechnology Program Leader and Chief Information Officer cease to have a relationship with us within six months of each other.

If these existing agreements are not renewed or if we are unable to enter into new collaborative agreements on commercially acceptable terms, our revenues and product development efforts may be adversely affected.

Conflicts with our collaborators could jeopardize the outcome of our collaborative agreements and our ability to commercialize products.

We intend to conduct proprietary research programs in specific disease and agricultural product areas that are not covered by our collaborative agreements. Our pursuit of opportunities in agricultural and pharmaceutical markets could, however, result in conflicts with our collaborators in the event that any of our collaborators takes the position that our internal activities overlap with those areas that are exclusive to our collaborative agreements, and we should be precluded from such internal activities. Moreover, disagreements with our collaborators could develop over rights to our intellectual property. In addition, our collaborative agreements may have provisions that give rise to disputes regarding the rights and obligations of the parties. Any conflict with our collaborators could lead to the termination of our collaborative agreements, delay collaborative activities, reduce our ability to renew agreements or obtain future collaboration agreements or result in litigation or arbitration and would negatively impact our relationship with existing collaborators.

We have limited or no control over the resources that our collaborators may choose to devote to our joint efforts. Our collaborators may breach or terminate their agreements with us or fail to perform their obligations thereunder. Further, our collaborators may elect not to develop products arising out of our collaborative arrangements or may fail to devote sufficient resources to the development, manufacture, market or sale of such products. Certain of our collaborators could also become our competitors in the future. If our collaborators develop competing products, preclude us from entering into collaborations with their competitors, fail to obtain necessary regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of our products, our product development efforts could be delayed and may fail to lead to commercialized products.

We are deploying unproven technologies, and we may not be able to develop commercially successful products.

You must evaluate us in light of the uncertainties and complexities affecting a biotechnology company. Our technologies are still in the early stages of development. Our research and operations thus far have allowed us to identify a number of product targets for use by our collaborators and our own internal development programs. We are not certain, however, of the commercial value of any of our current or future targets, and we may not be successful in expanding the scope of our research into new fields of pharmaceutical or pesticide research, or other agricultural applications such as enhancing plant traits to produce superior crop yields, disease resistance or increased nutritional content. Significant research and development, financial resources and personnel will be required to capitalize on our technology, develop commercially viable products and obtain regulatory approval for such products.

We have no experience in developing, manufacturing and marketing products and may be unable to commercialize proprietary products.

Initially, we will rely on our collaborators to develop and commercialize products based on our research and development efforts. We have no experience in using the targets that we identify to develop our own proprietary products. In order for us to commercialize products, we would need to significantly enhance our capabilities with respect to product development, and establish manufacturing and marketing capabilities, either directly or through outsourcing or licensing arrangements. We may not be able to enter into such outsourcing or licensing agreements on commercially reasonable terms, or at all.

Since our technologies have many potential applications and we have limited resources, our focus on a particular area may result in our failure to capitalize on more profitable areas.

We have limited financial and managerial resources. This requires us to focus on product candidates in specific industries and forego opportunities with regard to other products and industries. For example, depending on our ability to allocate resources, a decision to concentrate on a particular agricultural program may mean that we will not have resources available to apply the same technology to a pharmaceutical project. While our technologies may permit us to work in both areas, resource commitments may require trade-offs resulting in delays in the development of certain programs or research areas, which may place us at a competitive disadvantage. Our decisions impacting resource allocation may not lead to the development of viable commercial products and may divert resources from more profitable market opportunities.

Our competitors may develop products and technologies that make ours obsolete.

The biotechnology industry is highly fragmented and is characterized by rapid technological change. In particular, the area of gene research is a rapidly evolving field. We face, and will continue to face, intense competition from large biotechnology and pharmaceutical companies, as well as academic research institutions, clinical reference laboratories and government agencies that are pursuing research activities similar to ours. Some of our competitors have entered into collaborations with leading companies within our target markets, including some of our existing collaborators. Our future success will depend on our ability to maintain a competitive position with respect to technological advances.

Any products that are developed through our technologies will compete in highly competitive markets. Further, our competitors may be more effective at using their technologies to develop commercial products. Many of the organizations competing with us have greater capital resources, larger research and development staffs and facilities, more experience in obtaining regulatory approvals and more extensive product manufacturing and marketing capabilities. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies and products, and those of our collaborators, obsolete and noncompetitive.

If we are unable to adequately protect our intellectual property, third parties may be able to use our technology, which could adversely affect our ability to compete in the market.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. The patent positions of biotechnology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. We will apply for patents covering our technologies and products as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around our patents. In addition, our patents may be challenged, invalidated or fail to provide us with any competitive advantages.

We rely on trade secret protection for our confidential and proprietary information. We have taken security measures to protect our proprietary information and trade secrets, but these measures may not provide adequate protection. While we seek to protect our proprietary information by entering into confidentiality agreements with employees, collaborators and consultants, we cannot assure you that our proprietary information will not be disclosed, or that we can meaningfully protect our trade secrets. In addition, our competitors may independently develop substantially equivalent proprietary information or may otherwise gain access to our trade secrets.

Litigation or third party claims of intellectual property infringement could require us to spend substantial time and money and adversely affect our ability to develop and commercialize products.

Our commercial success depends in part on our ability to avoid infringing patents and proprietary rights of third parties, and not breaching any licenses that we have entered into with regard to our technologies. Other parties have filed, and in the future are likely to file, patent applications covering genes and gene fragments, techniques and methodologies relating to model systems, and products and technologies that we have developed or intend to develop. If patents covering technologies required by our operations are issued to others, we may have to rely on licenses from third parties, which may not be available on commercially reasonable terms, or at all.

Third parties may accuse us of employing their proprietary technology without authorization. In addition, third parties may obtain patents that relate to our technologies and claim that use of such technologies infringes these patents. Regardless of their merit, such claims could require us to incur substantial costs, including the diversion of management and technical personnel, in defending ourselves against any such claims or enforcing our patents. In the event that a successful claim of infringement is

brought against us, we may be required to pay damages and obtain one or more licenses from third parties. We may not be able to obtain these licenses at a reasonable cost, or at all. Defense of any lawsuit or failure to obtain any of these licenses could adversely affect our ability to develop and commercialize products.

The loss of key personnel or the inability to attract and retain additional personnel could impair our ability to expand our operations.

We are highly dependent on the principal members of our management and scientific staff, the loss of whose services might adversely impact the achievement of our objectives and the continuation of existing collaborations. In addition, recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to our success. We do not currently have sufficient executive management and technical personnel to fully execute our business plan. There is currently a shortage of skilled executives and employees with technical expertise, and this shortage is likely to continue. As a result, competition for skilled personnel is intense and turnover rates are high. Although we believe we will be successful in attracting and retaining qualified personnel, competition for experienced scientists from numerous companies, academic and other research institutions may limit our ability to do so.

Our business operations will require additional expertise in specific industries and areas applicable to products identified and developed through our technologies. These activities will require the addition of new personnel, including management and technical personnel and the development of additional expertise by existing employees. The inability to attract such personnel or to develop this expertise could prevent us from expanding our operations in a timely manner, or at all.

Our collaborations with outside scientists may be subject to restriction and change.

We work with scientific advisors and collaborators at academic and other institutions who assist us in our research and development efforts. These scientists are not our employees and may have other commitments that would limit their availability to us. Although our scientific advisors and collaborators generally agree not to do competing work, if a conflict of interest between their work for us and their work for another entity arises, we may lose their services. In addition, although our scientific advisors and collaborators sign agreements not to disclose our confidential information, it is possible that valuable proprietary knowledge may become publicly known through them.

Our potential therapeutic products are subject to a lengthy and uncertain regulatory process that may not result in the necessary regulatory approvals, which could adversely affect our ability to commercialize products.

The Food and Drug Administration, or FDA, must approve any drug or biologic product before it can be marketed in the U.S. Any products resulting from our research and development efforts must also be approved by the regulatory agencies of foreign governments before the product can be sold outside the U.S. Before a new drug application or biologics license application can be filed with the FDA, the product candidate must undergo extensive clinical trials, which can take many years and may require substantial expenditures. The regulatory process also requires preclinical testing. Data obtained from preclinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. In addition, delays or rejections may be encountered based upon changes in regulatory policy for product approval during the period of product development and regulatory agency review. The clinical development and regulatory approval process is expensive and time consuming. Any failure to obtain regulatory approval could delay or prevent us from commercializing products.

Our efforts to date have been primarily limited to identifying targets. Significant research and development efforts will be necessary before any products resulting from such targets can be commercialized. If regulatory approval is granted to any of our products, this approval may impose limitations on the uses for which a product may be marketed. Further, once regulatory approval is obtained, a marketed product and its manufacturer are subject to continual review, and discovery of previously unknown problems with a product or manufacturer may result in restrictions and sanctions with respect to the product, manufacturer and relevant manufacturing facility, including withdrawal of the product from the market.

Social issues may limit the public acceptance of genetically engineered products, which could reduce demand for our products.

Although our technology is not dependent on genetic engineering, genetic engineering plays a prominent role in our approach to product development. For example, research efforts focusing on plant traits may involve either selective breeding or modification of existing genes in the plant under study. Public attitudes may be influenced by claims that genetically engineered products are unsafe for consumption or pose a danger to the environment. Such claims may prevent our genetically engineered products from gaining public acceptance. The commercial success of our future products will depend, in part, on public acceptance of the use of genetically engineered products including drugs and plant and animal products.

The subject of genetically modified organisms has received negative publicity, which has aroused public debate. For example, certain countries in Europe are considering regulations that may ban products or require express labeling of products that contain genetic modifications or are "genetically modified." Adverse publicity has resulted in greater regulation internationally and trade restrictions on imports of genetically altered products. If similar action is taken in the U.S., genetic research and genetically engineered products could be subject to greater domestic regulation, including stricter labeling requirements. To date, our business has not been hampered by these activities. However, such publicity in the future may prevent any products resulting from our research from gaining market acceptance and reduce demand for our products.

Laws and regulations may reduce our ability to sell genetically engineered products that we or our collaborators develop in the future.

We or our collaborators may develop genetically engineered agricultural and animal products. The field testing, production and marketing of genetically engineered products are subject to regulation by federal, state, local and foreign governments. Regulatory agencies administering existing or future regulations or legislation may prevent us from producing and marketing genetically engineered products in a timely manner or under technically or commercially feasible conditions. In addition, regulatory action or private litigation could result in expenses, delays or other impediments to our product development programs and the commercialization of products.

The FDA has released a policy statement stating that it will apply the same regulatory standards to foods developed through genetic engineering as it applies to foods developed through traditional plant breeding. Genetically engineered food products will be subject to premarket review, however, if these products raise safety questions or are deemed to be food additives. Our products may be subject to lengthy FDA reviews and unfavorable FDA determinations if they raise questions regarding safety or our products are deemed to be food additives.

The FDA has also announced that it will not require genetically engineered agricultural products to be labeled as such, provided that these products are as safe and have the same nutritional characteristics as conventionally developed products. The FDA may reconsider or change its policies, and local or state authorities may enact labeling requirements, either of which could have a material adverse effect on our ability or the ability of our collaborators to develop and market products resulting from our efforts.

We use hazardous chemicals and radioactive and biological materials in our business. Any claims relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our research and development processes involve the controlled use of hazardous materials, including chemicals, radioactive and biological materials. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our insurance coverage and our total assets. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development and production efforts.

In addition, our collaborators may use hazardous materials in connection with our collaborative efforts. To our knowledge, their work is performed in accordance with applicable biosafety regulations. In the event of a lawsuit or investigation, however, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these hazardous materials use by these parties. Further, we may be required to indemnify our collaborators against all damages and other liabilities arising out of our development activities or products produced in connection with these collaborations.

If product liability lawsuits are successfully brought against us, we could face substantial liabilities that exceed our resources.

We may be held liable if any product we or our collaborators develop causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Although we intend to obtain general liability and product liability insurance, this insurance may be prohibitively expensive, or may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or to otherwise protect ourselves against potential product liability claims could prevent or inhibit the commercialization of products developed by us or our collaborators.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Given our location, our facilities are vulnerable to damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fire, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously, or potentially completely, impaired. In addition, the unique nature of our research activities could cause significant delays in our programs and make it difficult for us to recover from a disaster. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions. Accordingly, an earthquake or other disaster could materially and adversely harm our ability to conduct business.

We expect that our quarterly results of operations will fluctuate, and this fluctuation could cause our stock price to decline, causing investor losses.

Our quarterly operating results have fluctuated in the past and are likely to fluctuate in the future. A number of factors, many of which we cannot control, could subject our operating results and stock price to volatility, including:

- recognition of upfront licensing or other fees;
- payments of non-refundable upfront or licensing fees to third parties;
- acceptance of our technologies and platforms;

- the success rate of our discovery efforts leading to milestones and royalties;
- the introduction of new technologies or products by our competitors;
- the timing and willingness of collaborators to commercialize our products;
- our ability to enter into new collaborative relationships;
- the termination or non-renewal of existing collaborations; and
- general and industry-specific economic conditions that may affect our collaborators' research and development expenditures.

A large portion of our expenses, including expenses for facilities, equipment and personnel, are relatively fixed in the short term. In addition, we expect operating expenses to increase significantly during the next year. Accordingly, if our revenues decline or do not grow as anticipated due to the expiration of existing contracts or our failure to obtain new contracts, our inability to meet milestones or other factors, we may not be able to correspondingly reduce our operating expenses. Failure to achieve anticipated levels of revenues could therefore significantly harm our operating results for a particular fiscal period.

Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. As a result, in some future quarters, our operating results may not meet the expectations of stock market analysts and investors, which could result in a decline in the price of our stock.

Our stock price may be extremely volatile.

Our common stock began to publicly trade on April 11, 2000. We believe the trading price of our common stock will remain highly volatile and may fluctuate substantially due to factors such as the following:

- the announcement of new products or services by us or our competitors;
- quarterly variations in our or our competitors' results of operations;
- failure to achieve operating results projected by securities analysts;
- changes in earnings estimates or recommendations by securities analysts;
- developments in the biotechnology industry; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

These factors and fluctuations, as well as general economic, political and market conditions, may materially adversely affect the market price of our common stock.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert management's attention and resources, which could have a material and adverse effect on our business.

Future sales of our common stock may depress our stock price.

If our stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of outstanding options and warrants) in the public market, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity- related securities in the future at a time and price that we deemed appropriate. On October 8, 2000, a significant number of shares of our common stock held by existing stockholders became freely tradable, subject in some instances to the volume and other limitations of Rule 144. Sales of these shares and other shares of common stock held by existing stockholders could cause the market price of our common stock to decline.

Some of our existing stockholders can exert control over us, and may not make decisions that are in the best interests of all stockholders.

Due to their combined stock holdings, our officers, directors and principal stockholders (stockholders holding more than 5% of our common stock) acting together, may be able to exert significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of our company, even when a change may be in the best interests of our stockholders. In addition, the interests of these stockholders may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these stockholders could cause us to enter into transactions or agreements that you would not approve.

We are exposed to risks associated with acquisitions.

We have made, and may in the future make, acquisitions of, or significant investments in, businesses with complementary products, services and/or technologies. Acquisitions involve numerous risks, including, but not limited to:

- difficulties and increased costs in connection with integration of the personnel, operations, technologies and products of acquired companies;
- diversion of management's attention from other operational matters;
- the potential loss of key employees of acquired companies;
- lack of synergy, or the inability to realize expected synergies, resulting from the acquisition; and
- acquired intangible assets becoming impaired as a result of technological advancements or worse-than-expected performance of the acquired company.

Mergers and acquisitions, including our potential acquisition of Agritope, are inherently risky, and the inability to effectively manage these risks could materially and adversely affect our business, financial condition and results of operations.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

b. Reports on Form 8-K

On September 8, 2000, the Company filed an Item 5 Current Report on Form 8-K announcing the signing of a merger agreement to acquire Agritope, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 14, 2000

Exelixis, Inc.

/s/ Glen Y. Sato

Glen Y. Sato
Chief Financial Officer, Vice President of Legal Affairs and Secretary
(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger and Reorganization, Exelixis, Athens Acquisition Corp. and Agritope, Inc., dated September 7, 2000 (Incorporated by reference to Annex A of Exelixis' Registration Statement on Form S-4 (No. 333-47710), as amended).

10.22	Master Lease Agreement, dated August 2, 2000, between Comdisco, Inc, and Exelixis (the "Master Lease Agreement").
10.23	Addendum dated as of August 31, 2000, to the Master Lease Agreement.
10.24	Amendment No. 1 to the Master Lease Agreement, dated September 6, 2000, between Comdisco, Inc. and Exelixis.
10.25	Purchase-Leaseback Agreement, dated September 8, 2000, between Comdisco, Inc. and Exelixis.
27.1	Financial Data Schedule

MASTER LEASE AGREEMENT dated as of AUGUST 2, 2000 by and between COMDISCO LABORATORY AND SCIENTIFIC GROUP. A DIVISION OF COMDISCO, INC. ("Lessor") and EXELIXIS, INC. ("Lessee").

IN CONSIDERATION of the mutual agreements described below. the parties agree as follows (all capitalized terms are defined in Section 14.12):

1. Property Leased.

Lessor leases to Lessee all of the Equipment described on each Schedule. In the event of a conflict, the terms of a Schedule prevail over this Master Lease.

2. Term.

On the Commencement Date Lessee will be deemed to accept the Equipment, will be bound to its rental obligations for each item of Equipment and the term of a Schedule will begin and continue through the Initial Term and thereafter until terminated by either party upon prior written notice received during the Notice Period. No termination may be effective prior to the expiration of the Initial Term.

3. Rent and Payment.

Rent is due and payable in advance, in immediately available funds, on the first day of each Rent interval to the payee and at the location specified in Lessor's invoice. Interim Rent is due and payable when invoiced. If any payment is not made when due, Lessee will pay interest at the Overdue Rate.

4. Selection and Warranty and Disclaimer of Warranties.

1. *Selection*. Lessee acknowledges that it has selected the Equipment and Lessor will disclaims any reliance upon statements made by the Lessor.

2. *Warranty and Disclaimer of Warranties.* Lessor warrants to Lessee that, so long as Lessee is not in default, Lessor will not disturb Lessee's quiet and peaceful possession, and unrestricted use of the Equipment. To the extent permitted by the manufacturer, Lessor assigns to Lessee during the term of the Schedule any manufacturer's warranties for the Equipment. LESSOR MAKES NO OTHER WARRANTY, EXPRESS OR IMPLIED AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR A PARTICULAR PURPOSE. Lessor is not responsible for any liability, claim, loss, damage or expense of any kind (including strict liability in tort) caused by the Equipment except for any loss or damage caused by the negligent acts of Lessor. In no event is Lessor responsible for special, incidental or consequential damages.

5. Title and Assignment.

1. *Title.* Lessee holds the Equipment subject and subordinate to the rights of the Owner, Lessor, any Assignee and any Secured Party. Lessee authorizes Lessor, as Lessee's agent, to prepare, execute and file in Lessee's name precautionary Uniform Commercial Code financing statements showing the interest of the Owner, Lessor, and any Assignee or Secured Party in the Equipment and to insert serial numbers in Schedules as appropriate. Except as provided in Sections 5.2 and 7.2, Lessee will, at its expense, keep the Equipment free and clear from any liens or encumbrances of any kind (except any caused by Lessor) and will indemnify and hold Lessor, Owner, any Assignee and Secured Party harmless from and against any loss caused by Lessee's failure to do so.

2. *Relocation or Sublease.* Upon prior written notice, Lessee may relocate the Equipment to any location within the continental United States provided (i) the Equipment will not be used by an entity exempt from federal income tax, (ii) all additional costs (including any administrative fees, additional taxes and insurance coverage) are reconciled and promptly paid by Lessee. Lessee may sublease the Equipment upon the reasonable consent of the Lessor and the Secured Party provided Lessee meets the requirements under (i) and (ii) above. No relocation or sublease will relieve Lessee from any of its obligations under this Master Lease and the applicable Schedule.

3. *Assignment by* Lessor. The terms and conditions of each Schedule have been fixed by Lessor in order to permit Lessor to sell and/or assign or transfer its interest or grant a security interest in each Schedule and/or the Equipment to a Secured Party or Assignee. In that event the term Lessor will mean the Assignee and any Secured Party. However, any assignment. sale, or other transfer by Lessor will not relieve Lessor of its obligations to Lessee and will not materially change Lessee's duties or materially increase the burdens or risks imposed on Lessee. The Lessee consents to and will acknowledge such assignments in a written notice given to Lessee. Lessee also agrees that:

    a. The Secured Party will be entitled to exercise all of Lessor's rights, but will not be obligated to perform any of the obligations of Lessor. The Secured Party will not disturb Lessee's quiet and peaceful possession and unrestricted use of the Equipment so long as Lessee is not in default and the Secured Party continues to receive all Rent payable under the Schedule;

    b. Lessee will pay all Rent and all other amounts payable to the Secured Party, despite any defense or claim which it has against Lessor. Lessee reserves its right to have recourse directly against Lessor for any or claim; and

    c. Subject to and without impairment of Lessee's leasehold rights in Equipment. Lessee holds the Equipment for the Secured Party to the extent of the Secured Party's rights in that Equipment.

6. Net Lease and Taxes and Fees.

1. *Net Lease.* Each Schedule constitutes a net lease, Lessee's obligation to pay Rent and all other amounts is absolute and unconditional and is not subject to any abatement, reduction, set-off, defense, counterclaim, interruption, deferment or recoupment for any reason whatsoever.

2. *Taxes and Fees.* Lessee will pay when due or reimburse Lessor for all taxes, fees or any other charges (together with any related interest or penalties not arising from the negligence of Lessor) accrued for or arising during the term of each Schedule against Lessor, Lessee or the Equipment by any governmental authority (except only Federal, state and local taxes on the capital or the net income of Lessor). Lessor will file all personal property tax returns for the Equipment and pay all property taxes due. Lessee will reimburse Lessor for property taxes within thirty (30) days of invoice.

7. Care, Use and Maintenance, Attachments and Reconfigurations, and Inspection by Lessor.

1. *Care, Use and Maintenance.* Lessee will operate the Equipment in accordance with all laws and regulations and maintain the Equipment in good operating order and appearance, protect the Equipment from deterioration, other than normal wear and tear, and will not use the Equipment for any purpose other than that for which it was designed. If commercially available, Lessee will maintain in force a standard maintenance contract with the manufacturer of the Equipment and upon request will provide Lessor with a complete copy of that contract. With Lessor's prior written consent, Lessee may have the Equipment maintained by a party other than the manufacturer. Lessee agrees to pay any costs necessary for the manufacturer to bring the Equipment to original Equipment specifications at origination of lease, normal wear and tear excepted, and to re-certify the Equipment as eligible for manufacturer's maintenance at the expiration of lease term. The lease term will continue upon the same terms and conditions until recertification has been obtained

2. *Attachments and Reconfigurations.* Upon Lessor's prior written consent, Lessee may reconfigure and install Attachments on the Equipment. In the event of such a Reconfiguration or Attachment, Lessee shall, upon return of the equipment at its expense, restore the Equipment to the original configuration specified on the Schedule in accordance with the manufacturer's specifications and in the same operating order, repair and appearance as when installed (normal wear and tear excluded). Alternatively, with Lessor's prior written consent which will not be unreasonably withheld. Lessee may return the Equipment with any Attachment or upgrade.

3. *Inspection by Lessor.* Upon request, Lessee during reasonable business hours and subject to Lessee's security requirements, will make the Equipment and its related log and maintenance records, instruction manuals, published statements of calibration capabilities and technical specifications and certification. qualification and reports available to Lessor for inspection.

8. Representations and Warranties of Lessee.

Lessee represents and warrants that for the Master Lease and each Schedule:

    a. The execution, delivery and performance of the Lessee have been authorized by all necessary corporate action;

    b. The individual executing was duly authorized to do so;

    c. The Master Lease and each Schedule constitute legal, valid and binding agreements of the Lessee enforceable in accordance with their terms;

    d. The Equipment is personal property and when subjected to use by Lessee will not be or become fixtures under applicable law; and

    e. The Equipment will be for laboratory use only and will not be used in a clinical environment on patients.

9. Delivery and Return of Equipment.

Lessee assumes the full expense of transportation of the Equipment to its initial location, installation, deinstallation, and return to a location within the continental United States (including without limitation the expense of in-transit insurance) all pursuant to Lessor's instructions and manufacturer's specifications. Regarding deinstallation, Lessee will assure that the Equipment is deinstalled by the manufacturer in accordance with the manufacturer's recommended procedures and decontaminated for transport in accordance with any Environmental Law, and returned with a Verification of Decontamination in the same operating order, repair, condition and appearance as when originally installed (less normal wear and tear and depreciation) meeting all original equipment- manufacturer's specifications for continued manufacturers maintenance. and accompanied by all associated documents, manuals (including, but not limited to, those listed

in Section 7.3), spare parts and accessories and maintenance records for the duration of the Schedule. In connection with deinstallation, Lessee will assure that any Contaminant removed from the Equipment will be removed and transported by a licensed waste removal transporter.

10. Labeling.

Upon request, Lessee will mark the Equipment indicating Lessors interest. Lessee will keep all Equipment free from any other marking or labeling which might be interpreted as a claim of ownership.

11. Indemnity.

Lessee will indemnify and hold Lessor, any Assignee and any Secured Party harmless from and against any and all claims, costs, expenses, damages and liabilities, including reasonable attorneys' fees, arising out of the ownership (for strict liability in tort only), selection, possession, leasing, operation, control, use, maintenance, delivery, return or other disposition of the Equipment including the handling or disposal of the Contaminants. However, Lessee is not responsible to a party indemnified hereunder for any claims, costs, expenses, damages and liabilities occasioned by the negligent acts of such indemnified party. Lessee agrees to carry death, bodily injury and property damage liability insurance during the term of the Master Lease in amounts and against risks customarily insured against by the Lessee on similar equipment owned by it. Any amounts received by Lessor under that insurance will be credited against Lessee's obligations under this Section.

12. Risk of Loss.

Effective upon delivery and until the Equipment is returned, Lessee relieves Lessor of responsibility for all risks of physical damage to or loss or destruction of the Equipment. Lessee will carry casualty insurance for each item of Equipment in an amount not less than the Casualty Value. All policies for such insurance will name the Lessor and any Secured Party as additional insured and as loss payee, and will provide for at least thirty (30) days prior written notice to the Lessor of cancellation or expiration. The Lessee will furnish appropriate evidence of such insurance. Lessee shall promptly repair any damaged item of Equipment unless such Equipment has suffered a Casualty Loss. Within fifteen (15) days of a Casualty Loss, Lessee will provide written notice of that loss to Lessor and Lessee will, at Lessor's option, either (a) replace the item of Equipment with Like Equipment and marketable title to the Like Equipment will automatically vest in Lessor or (b) pay the Casualty Value and after that payment and the payment of all other amounts due and owing, Lessee's obligation to pay further Rent for the item of Equipment will cease.

13. Default, Remedies and Mitigation.

1. *Default*. The occurrence of any one or more of the following Events of Default constitutes a default under a Schedule:

    a. Lessee's failure to pay Rent or other amounts payable by Lessee when due if that failure continues for ten (10) days after written notice; or

    b. Lessee's failure to perform any other term or condition of the Schedule or the material inaccuracy of any representation or warranty made by the Lessee in the Schedule or in any document or certificate furnished to the Lessor hereunder if that failure or inaccuracy continues for fifteen (15) days after written notice; or

    c. An assignment by Lessee for the benefit of its creditors, the failure by Lessee to pay its debts when due, the insolvency of Lessee, the filing by Lessee or the filing against Lessee of any petition under any bankruptcy or insolvency law or for the appointment of a trustee or other officer with similar powers. the adjudication of Lessee as insolvent, the liquidation of Lessee, or the taking of any action for the purpose of the foregoing; or

    d. The occurrence of an Event of Default under any Schedule or other agreement between Lessee and Lessor or its Assignee or Secured Party.

2. *Remedies*. Upon the occurrence of any of the above Events of Default, Lessor, at its option, may:

    a. enforce Lessee's performance of the provisions of the applicable Schedule by appropriate court action in law or in equity;

    b. recover from Lessee any damages and or expenses, including Default Costs;

    c. with notice and demand, recover all sums due and accelerate and recover the present value of the remaining payment stream of all Rent due under the defaulted Schedule (discounted at the same rate of interest at which such defaulted Schedule was discounted with a Secured Party plus any prepayment fees charged to Lessor by the Secured Party or, if there is no Secured Party, then discounted at 6%) together with all Rent and other amounts currently due as liquidated damages and not as a penalty;

    d. with notice and process of law and in compliance with Lessee's security requirements, Lessor may enter on Lessee's premises to remove and repossess the Equipment without being liable to Lessee for damages due to the repossession, except those resulting from Lessor's, its assignees', agents' or representatives' negligence; and

    e. pursue any other remedy permitted by law or equity.

    The above remedies, in Lessor's discretion and to the extent permitted by law, are cumulative and may be exercised successively or concurrently.

3. *Mitigation*. Upon return of the Equipment pursuant to the terms of Section 13.2, Lessor will use its best efforts in accordance with its normal business procedures (and without obligation to give any priority to such Equipment) to mitigate Lessor's damages as described below. EXCEPT AS SET FORTH IN THIS SECTION, LESSEE HEREBY WAIVES ANY RIGHTS NOW OR HEREAFTER CONFERRED BY STATUTE OR OTHERWISE WHICH MAY REQUIRE LESSOR TO MITIGATE ITS DAMAGES OR MODIFY ANY OF LESSOR'S RIGHTS OR REMEDIES STATED HEREIN. Lessor may sell, lease or otherwise dispose of all or any part of the Equipment at a public or private sale for cash or credit with the privilege of purchasing the Equipment. The proceeds from any sale, lease or other disposition of the Equipment are defined as either:

    a. if sold or otherwise disposed of, the cash proceeds less the Fair Market Value of the Equipment at the expiration of the Initial Term less the Default Costs; or

    b. if leased, the present value (discounted at three points over the prime rate as referenced in the *Wall Street Journal* at the time of the mitigation) of the rentals for a term not to exceed the Initial Term, less the Default Costs.

Any proceeds will be applied against liquidated damages and any other sums due to Lessor from Lessee. However, Lessee is liable to Lessor for, and Lessor may recover, the amount by which the proceeds are less than the liquidated damages and other sums due to Lessor from Lessee.

14. Additional Provisions.

1. *Entire Agreement*. This Master Lease, Addendum and associated Schedules supersede all other oral or written agreements or understandings between the parties concerning the Equipment including, for example, purchase orders. ANY AMENDMENT OF THIS MASTER LEASE OR A SCHEDULE, MAY ONLY BE ACCOMPLISHED BY A WRITING SIGNED BY THE PARTY AGAINST WHOM THE AMENDMENT IS SOUGHT TO BE ENFORCED.

2. *No Waiver*. No action taken by Lessor or Lessee shall be deemed to constitute a waiver of compliance with any representation, warranty or covenant contained in this Master Lease or a Schedule. The waiver by Lessor or Lessee of a breach of any provision of this Master Lease or a Schedule will not operate or be construed as a waiver of any subsequent breach.

3. *Binding Nature*. Each Schedule is binding upon, and inures to the benefit of Lessor and its assigns. LESSEE MAY NOT ASSIGN ITS RIGHTS OR OBLIGATIONS.

4. *Survival of Obligations*. All agreements, obligations including, but not limited to those arising under Section 6.2, representations and warranties contained in this Master Lease, any Schedule or in any document delivered in connection with those agreements are for the benefit of Lessor and any Assignee or Secured Party and survive the execution, delivery, expiration or termination of this Master Lease.

5. *Notices*. Any notice, request or other communication to either party by the other will be given in writing and deemed received upon the earlier of actual receipt or three days after mailing if mailed postage prepaid by regular or airmail to Lessor (to the attention of "Lease Administrator") or Lessee, at the address set out in the Schedule or, one day after it is sent by courier or facsimile transmission if receipt is verified by the receiving party.

6. *Applicable Law*. THIS MASTER LEASE HAS BEEN, AND EACH SCHEDULE WILL HAVE BEEN MADE, EXECUTED AND DELIVERED IN THE STATE OF ILLINOIS AND WILL BE GOVERNED AND CONSTRUED FOR ALL PURPOSES IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS WITHOUT GIVING EFFECT TO CONFLICT OF LAW PROVISIONS. NO RIGHTS OR REMEDIES REFERRED TO IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE WILL BE CONFERRED ON LESSEE UNLESS EXPRESSLY GRANTED IN THIS MASTER LEASE OR A SCHEDULE.

7. *Severability*. If any one or more of the provisions of this Master Lease or any Schedule is for any reason held invalid, illegal or unenforceable, the remaining provisions of this Master Lease and any such Schedule will be unimpaired, and the invalid, illegal or unenforceable provision replaced by a mutually acceptable valid, legal and enforceable provision that is closest to the original intention of the parties.

8. *Counterparts*. This Master Lease and any Schedule may be executed in any number of counterparts, each of which will be deemed an original, but all such counterparts together constitute one and the same instrument. If Lessor grants a security interest in all or any part of a Schedule, the Equipment or sums payable thereunder, only that counterpart Schedule marked "Secured Party's Original" can transfer Lessor's rights and all other counterparts will be marked "Duplicate".

9. *Licensed Products*. Lessee shall obtain no title to Licensed Products which will at all times remain the property of the owner of the Licensed Products. A license from the owner may be required and it is Lessee's responsibility to obtain any required license before the use of the Licensed Products. Lessee agrees to treat the Licensed Products as confidential information of the owner, to observe all copyright restrictions, and not to reproduce or sell the Licensed Products.

10. *Additional Documents*. Lessee will, upon execution of this Master Lease and as may be requested thereafter, provide Lessor with a secretary's certificate of incumbency and authority and any other documents reasonably requested by Lessor. Upon the execution of each Schedule with an aggregate Rent in excess of $2,000,000, Lessee will provide Lessor with an opinion from Lessee's counsel regarding the representations and warranties in Section 8. Lessee will furnish, upon request, audited financial statements for the most recent period.

11. *Electronic Communications*. Each of the parties may communicate with the other by electronic means under mutually agreeable terms.

12. Definitions.

Assignee - means an entity to whom Lessor has sold or assigned its rights as owner and Lessor of Equipment.

Attachment - means any accessory, equipment or device and the installation thereof that does not impair the original function or use of the Equipment and is capable of being removed without causing material damage to the Equipment and is not an accession to the Equipment.

Casualty Loss - means the irreparable loss or destruction of Equipment.

Casualty Value - means the amount equal to the present value of the aggregate Rent remaining for the balance of the current term, plus the present value of the Fair Market Value (determined as of the expiration of the current term) of Like Equipment computed using an interest rate equal to the rate for Treasury Securities having a comparable term to the current term. However, if a Casualty Value Table is attached to the relevant Schedule its terms will control.

Commencement Certificate - means the Lessor provided certificate which must be signed by Lessee within ten days of the Commencement Date as requested by Lessor.

Commencement Date - is defined in each Schedule.

Contaminant - means any material, substance or waste regulated or otherwise covered under any Environmental Law or other material or substance which has in the past or could in the future constitute a health, safety or environmental hazard to any person, property or natural resources.

Default Costs - means reasonable attorney's fees and remarketing costs resulting from a Lessee default or Lessor's enforcement of its remedies.

Environmental Law - means any federal, foreign, state or local law, rule or regulation pertaining to the protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 U.S.C. Section 9601 et seq.), the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), the Clean Air Act (42 U.S.C. 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. 2601 et seq.), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. 1361 et seq.), and the Occupational Safety and Health Act (10 U. S.C. 651 et seq.), as these laws have been amended or supplemented, and any analogous foreign, state or local statutes, and the regulations promulgated pursuant thereto.

Equipment - means the property described on a Schedule and any replacement for that property required or permitted by this Master Lease or a Schedule but not including any Attachment.

Event of Default - means the events described in Subsection 13. 1.

Fair Market Value - means the aggregate amount which would be obtainable in an arm's-length transaction between an informed and willing buyer/user purchasing the Equipment in place for its originally intended use and an informed and willing seller under no compulsion to sell.

Initial Term - means the period of time beginning on the first day of the first full Rent Interval following the Commencement Date for all items of Equipment and continuing for the number of Rent Intervals indicated on a Schedule.

Installation Date - means the day on which the Equipment is installed and qualified for a commercially available manufacturer's standard maintenance contract or warranty coverage, if available.

Interim Rent - means the pro-rata portion of Rent due for the period from the Commencement Date through but not including the first day of the first full Rent Interval included in the Initial Term.

Licensed Products - means any software or other licensed products attached to the Equipment.

Like Equipment - means replacement Equipment which is lien free and of the same model, type, configuration and manufacture as Equipment.

Notice Period - means the time period described in a Schedule during which Lessee may give Lessor notice of the termination of the term of that Schedule.

Overdue Rate - means the lesser of 18% per year or the maximum rate permitted by the law of the state where the Equipment is located.

Owner - means the owner of Equipment.

Reconfiguration - means any change to Equipment that would upgrade or downgrade the performance capabilities of the Equipment in any way.

Rent - means the rent, including Interim Rent, Lessee will pay for each item of Equipment expressed in a Schedule either as a specific amount or an amount equal to the amount which Lessor pays for an item of Equipment multiplied by a lease rate factor plus all other amounts due to Lessor under this Master Lease or a Schedule.

Rent Interval - means a full calendar month or quarter as indicated on a Schedule.

Schedule - means an Equipment Schedule which incorporates all of the terms and conditions of this Master Lease and, for purposes of Section 14.8, its associated Commencement Certificate(s).

Secured Party - means an entity to whom Lessor has granted a security interest in a Schedule and related Equipment for the purpose of securing a loan.

Verification of Decontamination - means a letter from the party performing the decontamination, stating that such party is licensed by the Occupational Safety and Health Agency or the appropriate officials and that the actual decontamination was completed both in accordance with manufacturers specifications and procedures, and any governmental permit required for the operation of the Equipment and the disposal of any Contaminants.

IN WITNESS WHEREOF, the parties hereto have executed this Master Lease on or as of the day and year first above written.

EXELIXIS, INC as Lessee	COMDISCO LABORATORY AND SCIENTIFIC GROUP, A DIVISION OF COMDISCO, INC. as Lessor
By:	By:
Title:	Title:

rev. 12/99

ADDENDUM DATED AS OF AUGUST 31, 2000
TO THE MASTER LEASE AGREEMENT
DATED AS OF AUGUST 2,2000 (THE "AGREEMENT")
BETWEEN EXELIXIS, INC. ("LESSEE")
ACTING ON BEHALF OF ITSELF AND ITS AFFILIATES,
AND COMDISCO LABORATORY AND SCIENTIFIC GROUP,
A DIVISION OF COMDISCO, INC. ("LESSOR")

The terms and conditions of this Addendum shall be incorporated into the Agreement and supersedes the Agreement to the extent expressly provided herein. Each capitalized terms used herein and not otherwise defined shall have the same meaning attributed to it in the Agreement.

The terms and conditions of the following sections of the Agreement are hereby modified:

1. **Add a new SECTION 1A, AFFILIATES**

   "Exelixis, Inc. shall, without notice, be jointly and severally liable for the due performance of the obligations of its Affiliates under all Equipment Schedules executed hereunder, including, without limitation, all terms and conditions negotiated by its Affiliate."

2. **SECTION 3, RENT AND PAYMENT**

   Delete the last sentence and replace with the following: "If any payment is not made within ten (10) days of the due date, Lessee will pay interest from the due date at the Overdue Rate."

3. **SECTION 7.1, CARE, USE AND MAINTENANCE**

   Delete the second, third and fourth sentences and replace with the following: "Lessee shall be responsible for maintenance of the Equipment and, if Lessee does not purchase the Equipment pursuant to the terms of a Schedule, Lessee shall bring the Equipment to original manufacturer specifications applicable at the Commencement Date of the Schedule, normal wear and tear excepted, and re-certify the Equipment as eligible for manufacturer's maintenance at the expiration of the lease term."

4. **SECTION 7.2, ATTACHMENTS AND RECONFIGURATIONS**

   At the end of line 1, insert the words "which consent will not be unreasonably withheld,".

5. **SECTION 8, REPRESENTATIONS AND WARRANTIES OF LESSEE**

   In paragraph (e), line 2, before the word "clinical" insert the word "human".

6. **SECTION 9, DELIVERY AND RETURN OF EQUIPMENT**

   In line 9, after the word "depreciation)", delete the remainder of the sentence and replace with the following: "and in accordance with Section 7.1, and accompanied by all spare parts and accessories and maintenance records for the duration of the Schedule."

7. **SECTION 13.3, MITIGATION**

   A. In line 2, delete the words "its best" and insert the words "commercially reasonable".

   B. In paragraph (b), delete the parenthetical and replace with the following: "(discounted at the implicit interest rate of the re- lease as determined by Lessor based upon the new lessee's credit rating)".

8. **SECTION 14.3, BINDING NATURE**

   Line 3, after the word "OBLIGATIONS" insert the words "WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR, WHICH SHALL NOT BE UNREASONABLE WITHHELD".

9. **SECTION 14.10, ADDITIONAL DOCUMENTS**

   In line 5, before the word "counsel" insert the words "in-house". Add the following at the end of this section: "Lessor will accept Lessee's certified board resolutions in lieu of an opinion from Lessee's in-house counsel with respect to the representations and warranties set forth in Section 8."

10. **SECTION 14.12, DEFINITIONS**

    A. Add the following definition: "Affiliates of Exelixis, Inc," shall mean those enterprises in which Exelixis, Inc., or its parent company owns and/or shall own at anytime after the date hereof, directly or indirectly, the majority of the voting stock, or a controlling interest, including without limitation all present Affiliates of Exelixis, Inc.

    B. Add the following definition: "Lessee" shall mean, with respect to any Equipment Schedule, the Affiliate of Exelixis, Inc. entering into such Equipment Schedule, or Exelixis, Inc., if Exelixis, Inc. enters into such Equipment Schedule.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed by their authorized representatives as of the date and year set forth below.

ACCEPTED AND AGREED TO:

Exelixis, Inc.	Comdisco Laboratory and Scientific Group, a division of Comdisco, Inc.
By:	By:

Printed Name:	Printed Name:
Title:	Title:
Date:	Date:

AMENDMENT NO. 1 TO
MASTER LEASE AGREEMENT
DATED AUGUST 2, 2000 (the "Lease")
BY AND BETWEEN
EXELIXIS, INC. ("Lessee")
ACTING ON BEHALF OF ITSELF AND ITS AFFILIATES,
AND COMDISCO LABORATORY AND SCIENTIFIC GROUP,
A DIVISION OF COMDISCO, INC. ("Lessor')

WHEREAS, Lessor and Lessee desire to enter into the Lease; and

WHEREAS, Lessor and Lessee desire to amend certain provisions of the Lease as hereafter provided; and

WHEREAS, the Amendment shall be deemed to have been entered into contemporaneously with and integrated into the terms and conditions of the Lease.

NOW THEREFORE, for good and valuable consideration, Lessor and Lessee hereby agree to amend the Lease as follows:

1. Lessee agrees to maintain a financial status of all of the following during the term of the Lease and any extension or renewal thereof

a. Tangible net worth of not less than $20,000,000.00;

b. Cash or equivalents of not less than $20,000,000.00.

2. In addition, Lessee agrees to provide Lessor with quarterly financial statements within forty-five (45) days after the end of each fiscal quarter and audited annual financial statements within one hundred twenty (120) days of the end of each fiscal year.

3. Failure of Lessee to maintain any one of the above at any time during the Lease term and any extension or renewal thereof or the failure to make any payment due under the Lease is an Event of Default under the Lease which Lessee must, within ten (10) business days, provide a Letter of Credit from a bank acceptable to Lessor for one hundred percent (100%) of all rent then due or to become due under the lease as of the date of the default. Along with the Letter of Credit, Lessee shall also execute a Letter of Credit Agreement with Lessor. The Letter of Credit and Letter of Credit Agreement shall be in a form substantially similar to Exhibits A & B attached and incorporated herein but in any event approved by Lessor.

4. Lessor shall also be entitled to any or all remedies or actions in the event of default, as provided in the Lease, and this Amendment shall not be construed to limit Lessor's rights in any way.

Except as set out herein, Lessor and Lessee hereby agree that the terms and conditions of the Lease shall remain in full force and effect as entered into by the parties on or prior to the date hereof.

EXELIXIS, INC.
as Lessee

By:

Title:

Date:

COMDISCO LABORATORY AND SCIENTIFIC GROUP,
A DIVISION OF COMDISCO, INC.
as Lessor

By:

Title:

Date:

EXHIBIT A

(On Bank Letterhead)

{DATE}

BENEFICIARY:

Comdisco Laboratory and Scientific Group,

a division of Comdisco, Inc., or Transferee

6111 N. River Road

Rosemont, IL 60018

Gentlemen:

We hereby establish our Irrevocable Standby Letter of Credit No. _____ in your favor for account of , for a sum not to exceed AND /100 DOLLARS ($) available by your draft drawn at sight on us.

Draft must be accompanied by: Your statement signed by an officer of Comdisco Laboratory and Scientific Group, a division of Comdisco, Inc. certifying that Exelixis, Inc. has defaulted under that certain Master Lease Agreement dated August 2, 2000 between Exelixis, Inc. and Comdisco Laboratory and Scientific Group, a division of Comdisco, Inc., and the original of this Letter of Credit

This Letter of Credit expires _____. All drafts drawn hereunder must be present for payment at our office at _____ on or before that date.

It is a condition of this Irrevocable Standby Letter of Credit that it shall be deemed automatically extended without amendment for one (1) year from the present or any future expiration date hereof but not beyond end of lease term. Should we elect not to renew this Standby Letter of Credit, we shall notify you of such election 45 days prior to any such date. All notices shall be in writing, sent by certified mail, return receipt requested and addressed to you at the above address, ATTENTION: Credit Manager. Notwithstanding receipt by you of such notice, you may draw hereby by means of your draft on us at sight accompanied by the documents required herein, until such expiration date.

This Letter of Credit may be transferred by you at any time and such transfer shall be deemed effective and binding on us upon receipt of written notice of such transfer from you when accompanied by the original of this Letter of Credit.

We hereby agree that drafts drawn strictly in compliance with the terms of this credit and any amendments thereto shall meet with due honor upon presentation at our office at .

Title

EXHIBIT B

LETTER OF CREDIT
AGREEMENT

Stand-by Letter of Credit Agreement dated _____, by and between Exelixis, Inc. ("Lessee") located at 170 Harbor Way, South San Francisco, CA 94083 and Comdisco Laboratory and Scientific Group, a division of Comdisco, Inc. ("Lessor") with offices at 6111 N. River Road, Rosemont, IL 60018.

WHEREAS, Lessee has requested that Lessor lease various equipment, as further described in the Lease (the "Equipment"), to Lessee; and

WHEREAS, Lessor has agreed to lease the Equipment to Lessee upon the condition that an Irrevocable Stand-by Letter of Credit shall be outstanding for the full term of the Master Lease Agreement to additionally secure Lessee's performance under the Lease.

NOW THEREFORE, in consideration of and as an inducement to Lessor to lease the Equipment to Lessee, the parties hereto agree as follows:

1. Lessee and Lessor have entered or shall enter into a Master Lease Agreement and one or more Schedules thereunder for leasing the Equipment, (together the "Lease"), all of which shall be covered by the terms of this Agreement

2. Concurrently with the execution for this Agreement, Lessee shall cause to be delivered to Lessor in the form attached hereto as Exhibit A, an Irrevocable Stand-by Letter of Credit issued by a bank acceptable to Lessor, which Letter of Credit shall be in the amount of AND /100 dollars ($) ("Letter of Credit") and shall be outstanding until _____, with annual renewals until end of lease term.

3. Receipt by Lessor of notice that the Letter of Credit will not be renewed on any expiration date, as provided therein, shall constitute a material default by Lessee under the terms and conditions of the Lease. Lessor shall then have the right to draw upon the Letter of Credit up to its full amount and to apply the proceeds as set out in paragraph 4, below, unless at least thirty (30) days prior to said expiration date Lessee replaces the Letter of Credit with a Letter of Credit which has been issued by a bank acceptable to Lessor and has the same terms and conditions as the replaced Letter of Credit

4. Upon the occurrence of any Event of Default under the Lease which shall include Amendment 001, and at any time while a default is continuing, Lessor shall have the right to draw upon the Letter of Credit up to its full amount and to apply the proceeds thereof first to any reasonable costs and expenses incurred by Lessor in the enforcement of the terms of the Lease and the exercise of its rights and remedies, then to the unpaid balance of all sums payable under the Lease, whether by acceleration or otherwise, with any excess proceeds being refundable to Lessee, and Lessee remaining liable for any deficiency.

5. Waiver by Lessor of a default shall not constitute a continuing waiver of default, of the same provision or any other provision of the Lease. Additionally, failure of Lessor to draw upon the Letter of Credit at any time shall not be construed as a waiver of Lessor's right to draw upon the Letter of Credit as herein set forth at any other time.

6. The exercise by Lessor of its rights under this Agreement shall be deemed to be in addition to and not in lieu of any other rights and remedies of Lessor under the Lease, or any other document relating to the Lease and shall not be construed in any manner to represent satisfaction of the obligations of Lessee under or with respect to the Lease.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date set forth above.

EXELIXIS, INC.
as Lessee

By:

Title:

Date:

COMDISCO LABORATORY AND SCIENTIFIC GROUP,
A DIVISION OF COMDISCO, INC.
as Lessor

By:

Title:

Date:

PURCHASE/LEASEBACK AGREEMENT

Buyer:	**Seller:**
COMDISCO LABORATORY AND	**EXELIXIS, INC.**
SCIENTIFIC GROUP, A DIVISION OF	**170 Harbor Way**
COMDISCO, INC.	**So. San Francisco, California 94083**
6111 North River Road	
Rosemont, Illinois 60018	

1. **PURCHASE:** Seller agrees to sell and Buyer agrees to purchase from Seller the equipment listed below (the "Equipment") in accordance with the terms and conditions specified in this Purchase/Leaseback Agreement dated as of August 2, 2000.

Item Number	Qty.	Mfg.	Machine Type/Feature	Description	Serial Number

Various Equipment listed and described in the attachments made hereto

2. **PURCHASE PRICE:** $5,954212.99. The Purchase Price is due upon execution of this Agreement ("Payment Date"). Seller agrees to provide Buyer with all purchase documentation associated with Seller's purchase of the Equipment from the vendor ("Vendor"), including the Vendor's quotation, invoices, and Bill of Sale to Seller (collectively, "Proof of Ownership") within sixty (60) days of the Payment Date. Seller also agrees to cooperate with Buyer in obtaining any UCC releases (Form UCC-3) deemed necessary by Buyer for the Equipment within ninety (90) days of the Payment Date. If Seller is unable to provide Buyer with Proof of Ownership for the Equipment, or the UCC-3 releases as set forth above, then (i) Buyer will notify Seller, (ii) Seller will immediately refund to Buyer the Purchase Price for such Equipment plus interest at the rate of 15% per annum until the date of Buyer's receipt of the refunded Purchase Price, and (iii) all obligations of either party with respect to such Equipment will thereafter terminate. If Buyer receives the refunded Purchase Price within ten (10) days of Seller's receipt of Buyer's notice, no interest will be due on the refunded Purchase Price.

3. **LEASEBACK:** This Agreement is contingent upon Seller leasing the Equipment from Buyer pursuant to the Equipment Schedule Nos. SG-01 and SG-02 to the Master Lease Agreement dated August 2, 2000 between Seller, as Lessee, and Buyer, as Lessor (collectively the "Lease").

4. **WARRANTY: SELLER MAKES NO WARRANTIES OTHER THAN THOSE SPECIFICALLY SET OUT IN THIS AGREEMENT (IF ANY), AND SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

5. **TITLE:** Title to the Equipment will be free and clear of all liens, claims and encumbrances of any kind and will vest in Buyer upon payment of the full Purchase Price. Upon request, Seller will provide Buyer with a Bill of Sale to evidence such title.

6. **TAXES:** Buyer warrants that it is in the business of buying and selling laboratory and scientific equipment and that the purchase of the Equipment is for the purpose of resale only.

7. **GOVERNING LAW:** Illinois

8. **MULTIPLE COUNTERPARTS:** This Agreement may be executed in multiple counterparts, each of which will be deemed to be an original and of equal force and effect.

9. **MISCELLANEOUS:** Seller agrees to and will indemnify and hold Buyer harmless from and against all liens, costs, expenses, damages or claims, including reasonable attorney's fees, arising out of the performance of Seller's obligations, the breach by Seller of its obligations, defects in the Equipment or any misrepresentation by Seller under this Agreement.

Exelixis, Inc.	**COMDISCO LABORATORY AND SCIENTIFIC GROUP, A DIVISION OF COMDISCO, INC.**
As Seller	As Buyer
By:	By:
(authorized signature)	

Date: (authorized signature)

Date: